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# USSR Report

CONSUMER GOODS AND DOMESTIC TRADE

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22 OCTOBER 1986

USSR REPORT  
CONSUMER GOODS AND DOMESTIC TRADE

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

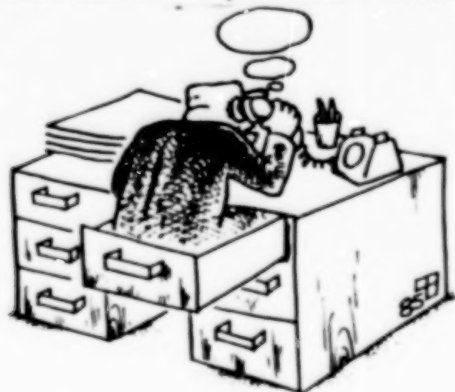
### PROBLEMS IN AVAILABILITY, QUALITY OF FURNITURE

#### Availability

Moscow EKONOMICHESKAYA GAZETA in Russian No 39, Sep 86 p 24

[Cartoon by V. Fedorov]

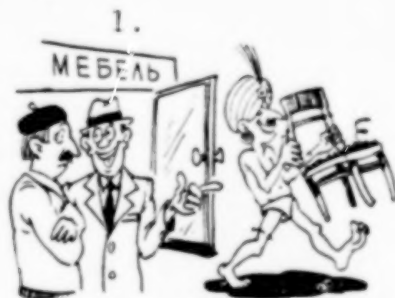
Ivan Ivanovich, I'm pleased to inform you that  
we've fulfilled the plan for furniture output!



#### Distribution

Moscow NARODNOYE KHOZYAYSTVO BELORUSSII in Russian No 8, Aug 86 p 47

[Cartoon by A. Korshakevich]



And they said that our furniture would never  
find a buyer....

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## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### CONSUMER TURNOVER FIGURES FROM JANUARY-AUGUST 1986

Moscow SOVETSKAYA TORGOVLYA in Russian 13 Sep 86 p 1

[Article: "USSR TsSU (Central Statistical Administration) Reports"]

[Text] The commodity turnover of state and cooperative trade from January to August 1986 totaled 218.2 billion rubles, including 59.8 billion rubles in consumer cooperatives' turnover. The plan for retail commodity turnover from January to August 1986 was fulfilled. In comparison with January to August 1985, the retail commodity turnover from January to August 1986 rose in comparable prices by 6.5 percent.

The total commodity turnover growth from January to August 1986 in comparison with January to August 1985, in comparable prices, by union republics is characterized by the following data (in percentages):

RSFSR	106.7	Moldavian SSR	106.6
Ukrainian SSR	105.8	Latvian SSR	105.7
Belorussian SSR	107.5	Kirghiz SSR	108.2
Uzbek SSR	107.2	Tajik SSR	108.2
Kazakh SSR	106.1	Armenian SSR	109.4
Georgian SSR	106.4	Turkmen SSR	110.8
Azerbaijan SSR	106.2	Estonian SSR	106.1
Lithuanian SSR	107.6		

## CONSUMER GOODS PRODUCTION AND DISTRIBUTION

### COLOR TELEVISION MANUFACTURE EXPANDED

Moscow ARGUMENTY I FAKTY in Russian No 38, 16-22 Sep 86 p 5

[Unattributed article: "Television Manufacture"]

[Text] In 1985, 9.4 million televisions were manufactured in our country, of which 7,935,000 sets were sold to the population through state and cooperative trade. According to information from the All Union CSA, at the end of last year, 97 out of 100 Soviet families were provided with televisions, and there are some families who have two sets. Therefore, almost every Soviet has the opportunity to watch television programs.

At the same time, there are many unsolved problems in the development of a television network. Not all regions of the country are provided with television broadcasting. Often foreign propaganda centers take advantage of this. The demand has grown for color televisions. Last year, four million color sets were manufactured. They were almost sold out. The demand for them is still high. There are also many complaints regarding television quality.

The basic directions of the economic and social development of the USSR during 1986-1990 and in the period to the year 2000 anticipate increased color television manufacture by 1.6 times. The country's television network will be developed further. By the end of the 12th Five-Year Plan, reception for two television programs, basically to all areas, will be guaranteed.



HOUSING AND PERSONAL SERVICES

LACK OF ORGANIZATION IN PROCUREMENT OF BUILDING SUPPLIES

Moscow KROKODIL in Russian No 21, Jul 86 p 7

[Cartoon]



Who's come for prefabricated housing? Start assembling!

Drawing by O. Tesler





Is there by chance an island nearby where building materials are sold?

Drawing by L. Filippova

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CSO: 1827/162

## HOUSING AND PERSONAL SERVICES

### GOSPLAN AIDE ON DEVELOPMENTS IN SERVICES SECTOR

Moscow EKONOMICHESKAYA GAZETA in Russian No 34, Aug 86, pp 2, 4

[Article by T. Arbuzova, senior scientific associate, Scientific-Research Economics Institute attached to USSR Gosplan, under the rubric "Reserves of Acceleration": "The Service Sphere"]

[Text] Every Soviet individual and every Soviet family makes use practically daily of service-sphere enterprises and institutions. Stores and dining rooms, shops and studios, polyclinics and hospitals, public transport and communications enterprises, educational and cultural institutions and the entire industry of rest and leisure are called upon to provide for vitally important needs of the Soviet people. The possibilities of stimulating the human factor decisively depend on the service sphere. It influences the effectiveness of use of free time, daily-life amenities and the mood of the Soviet people and in the final analysis efficiency of labor and public production.

In the Political Report of the CPSU Central Committee to the 27th Party Congress, an objective was set to create as quickly as possible a modern service sphere. An important role belongs to this sphere in implementation of the policy of acceleration of social and economic development.

#### Growing Importance

An objective law is to be found in the development of the system of social needs: with growth of the population's income and rise of its general educational and cultural level, the need for services is increasingly overtaking in its development the need for material benefits. This is due to the outstripping growth of spiritual and social needs compared to material ones. As a result, progressive changes are occurring in the structure of consumption, which it is important to take into account in forming national-economic proportions and determining ways of raising the living standard.

In the past period, insufficient consideration of this law was expressed particularly by a lag in the development of paid services behind the population's needs. The consequence was deformation of the structure of demand and its shifting to goods, which still further increased the existing

imbalance of goods and the amount of money. In subsequent years, the share of paid services has amounted to only 10 percent of total consumer expenditures, which is manifestly inadequate.

The importance of the service sphere is also growing in connection with solution of the tasks of intensification of public production and a substantial rise of its efficiency on the basis of scientific and technical progress. Present production makes high demands on the level and quality of general education, culture and vocational training of the worker.

Taking into account these objective tendencies in growth of the population's and national economy's requirements, Basic Directions determine the developmental rate of all sectors of the service sphere while taking into consideration the specific character of each of them. Expansion of the assortment of services, raising of their quality and introduction of new kinds of services and methods of services on the basis of a significant strengthening of the material and technical base and utilization of scientific and technical achievements are of fundamental importance. A decisive improvement in development of the service sphere—in a quantitative and qualitative sense—is to be already made in the years of the 12th Five-Year Plan. The development of the service sphere is becoming increasingly more balanced and complex. According to our calculations, the volume of nonproduction services will amount by 1990 to about 140 billion rubles of which 40 percent is to be attributed to paid services. The share of nonproduction services in the total volume of consumption of material benefits and services will be increased from 20 to 32 percent.

Life powerfully obliges our economic personnel to face the service sphere and social problems. In a speech at a conference of the aktiv of Kharkovsk Kray party organization, M. S. Gerasimov stressed: "...it is necessary to decisively put an end to the attitude toward the service sphere that it is something secondary and derivative. The 27th Party Congress came out in favor of implementing a strong social policy. By means of it, we must stimulate the entire human factor and put into operation the vast potential which our country and our society possess. Then we shall move forward, then there will be acceleration. Such was the demand of the congress. Such is the condition of reorganization. And this is the sacred duty of all ranks of party, soviet and economic managers."

#### Problems of Balance and Complexness

A characteristic feature of satisfaction of the need for services is that it is necessary to consider all their varieties within a complex and to take into account the impossibility of one service replacing another. It is impossible, for example, to build a hospital instead of a school, a store in place of a studio. All of them are needed. It is necessary to provide the population with a certain selection of services while taking into account the resources available to society, the tasks facing it, existing needs and developmental prospects. Planning practice, however, does not possess a sufficiently reliable set of instruments for such complex forecasting and planning. Let us take, for example, the problem of evaluating the volume of services. The fact is that the service sphere is an aggregate of various sectors and types of

activity. Their unification is economically valid if you take into account the common factor of functional designation of all types of labor engaged in them and the role of these sectors in the reproductive process. The functional common character is that they form the material base of the production of man himself, its enlargement and ensure the conditions of activity of peoples outside the limits of that portion of the sphere of material production in which the material elements of the national income are created.

At the present time, volume of services is determined in planning practice by summing up the expenditures connected with their offering. Such an expenditure approach to estimating work in the field of services for the population does not make it possible to validly judge them either on the degree of satisfaction of needs or on the quality of service. A most important task is development of methods of evaluation of social effectiveness of the service system, first of all its influence on the amount and degree of use of free time.

There is a lack of information that is so necessary in planning the need for services by different groups of the population. Just this is necessary to ensure the accessibility of the main types of paid and free services for consumers with a varying level of material well-being as well as for categories of the population especially in need of care and assistance from society (pensioners, families with many children and so on). Solution of this task should be aided by the state system of study and formation of needs and demand of the population for consumer goods and services whose creation is provided by the Complex Program for developing the production of consumer goods and the Service Sphere. Unfortunately, work in this direction is slow in developing.

A clear picture of the different aspects of human activity and developmental tendencies of the need for services is also required for raising the level of validation of planning free and paid services. Sectors of the service sphere from the point of view of their role in the reproduction process and satisfaction of the various needs of the people can be put into two groups. One represents sectors aiming at the satisfaction of social and cultural, spiritual and intellectual needs of man and support of his normal life activity: education, health care, physical culture, social security, culture and art. The other takes in sectors of material and personal services: housing and municipal services, personal services, passenger transport, nonproduction communications, retail trade and public dining, reduction of outlays of time on housekeeping, serving members of the family and increasing possibilities for the satisfaction of spiritual needs.

The first group of sectors basically develops through the use of public consumption funds and forms the material base of the most important social and economic rights of Soviet citizens. Sectors of material and personal services are primarily paid services. During the years of the 12th Five-Year Plan, public consumption funds will be increased by 25 percent and their amount will exceed 180 billion rubles. In 1975, these funds amounted to 146.5 billion rubles, more than 40 percent of which went for free services for the population in education, health care and culture. The rest consists of monetary payments--pensions, grants, stipends.



## Paid Services

Paid services are becoming an increasingly more important direction for satisfying the population's needs. As a matter of fact, during the 12th Five-Year Plan, a comprehensive national-economic approach is being employed for the first time in the development of paid services. This was abetted by working out a complex program for developing the production of consumer goods and the service sphere for 1986-2000.

In the course of the 12th Five-Year Plan, the volume of paid services will be increased 1.5-fold, and it is specified that the volume of retail trade turnover will be boosted 33.4 percent. The appreciable lead of paid services compared to growth of consumer goods attests to the establishment of a progressive consumption structure. The development of a system of paid services as services of a higher level of well-being promotes the expansion, enrichment and rise in the quality of service for the population. Consequently, the forced development of all varieties of paid services is an essential condition of raising the people's well-being to a qualitatively new and higher level.

The leading development of paid services makes it also possible to improve the balance of commodity and money resources whose disruption would reduce interest in work and give rise to speculation and other negative phenomena.

Interrelation in the development of paid and free services must be based on the objectives of improving consumption structure and drawing closer to rational consumption norms and rational consumer budgets.

The developed interrelationship of paid and free services can be judged on the basis of the following data. The total volume of nonproduction services (less trade, public dining, production personal services) in 1984 according to our calculations amounted roughly to 133 billion rubles. Of these, free services accounted for 64 billion rubles and paid services for 36 billion services. On the average, per-capita aggregate use of the services amounted to 364 rubles, including free services--232 rubles and paid services--132 rubles.

The degree of satisfaction of the population's needs for paid services has so far been significantly lower than for material benefits and free services. The unsatisfactory demand for paid services according to estimates of specialists amounts to 5-6 billion rubles. Such a situation leads to negative overdistribution processes and sustains entrepreneurial types of activity not regulated by society, which is frequently connected with the acquisition of unearned income.

The growth of paid services envisaged by the 5-year plan will lead to the fact that by 1990 thirteen percent of total consumer expenditures will be for them. Thus the developmental level of the system of paid services in our country will to a larger measure than before correspond to the sharply risen material prospects of the population, its spiritual needs and the growing level of general and specialized education.

## Development of Normative Methods

In our view, the use of normative methods for resource provision is bound to be conducive to raising the level of planning validation and the developmental complexity of sectors of the service sphere. The party's social policy under present conditions emanates from the need of a reorientation in the direction of resources to the benefit of the service sphere and overcoming of the residual principle of their selection that has developed in the past. Recently a decrease in the share of the nonproductive sphere has been observed in investment resources. During 1971-1975, the share of nonproductive capital investment diminished from 31.2 to 26.9 percent.

Without a significant increase in capital investment and acceleration due to this of the renewal rate of fixed capital of the service sphere, one cannot count on an active and large-scale introduction of achievements of scientific and technical progress into its sectors. Expansion of the supply of new kinds of services and forms of services and boosting of their quality are in turn closely connected with additional saturation of the material base of enterprises with highly efficient technical equipment.

The insufficiency of resource provision with its negative consequences also resulted in deformation of the structure of service-sphere sectors, as resources were urgently allocated for the solution of a very important housing problem in a social sense. The circumstance disclosed that the "production" of services was more labor intensive and capital-intensive compared to other forming consumption resources. Thus if the capital output of 1 ruble of the consumption fund in 1984 amounted to 0.27 ruble, that of production services amounted to 6.4 rubles and of the most capital-intensive housing and municipal services amounted to 46 rubles. And these are only direct expenditures. Taking into consideration full national-economic outlays, the differences become even more significant.

Planning and forecasting of resources in sectors of the nonproduction sphere should be from our point of view of a normative special-purpose character. Improvement of planning would also contribute to the formation of an independent section "The Service Sphere" in the plan of social development and raising of the living standard. It would be useful to present in the plan the chief indicators characterizing the complex of sectors and the planning measures in the field of services, the most important proportions, especially the interrelationship of free and paid forms of services and the satisfaction of the needs of individual social and demographic groups of the population: town and country, women, children, pensioners and so forth. Here it is essential to have a picture of resource provision of the service sphere--capital investment, fixed capital, material and manpower outlays.

And finally, for the purpose of accelerating development of the service sphere, it is important to improve planning of the use of leading equipment and technology, especially of resource-conserving directions. It would appear necessary to expand the number of specialized subsectors in sectors of material production providing for the needs of the service sphere. This would make it possible to tie in more closely targets for increasing the volume of services to other sections of the national-economic plan.

The developed indicators characterizing technical progress in the service sphere are applicable only to the "production" of a specific type of services and reflect the aggregate of individual measures for creating and introducing new equipment and technology. It is important, however, to have a system of indicators reflecting the dynamics of the technical level of production. The system of generalizing indicators of the technical level of the service sphere of the population should include, it seems to us, indicators characterizing the growth of the quality of service, introduction of essentially new equipment and technology, new kinds of services and improvement of labor organization. Of course, the solution of these questions requires an improvement in existing statistical information and the creation of one's own normative base for service sectors.

### Initiative and Resources

Significant quantities of manpower and material resources are used in the service sphere. Thus in 1984, 23 million persons worked in nonproduction-service sectors, basic nonproduction capital reached 649 billion rubles. For the years of the 12th Five-Year Plan, large capital investment has been allotted for the development of the material base of sectors supporting paid services and sectors of the social and cultural sphere. During the years of the 5-year plan, all sorts of financing sources will be used to open up residential buildings with an area of 595 million square meters, preschool institutions with 4.4 million places, general educational schools with 7.2 million places and hospitals with 358,000 beds.

A very important task today is effective use of allocated funds and overcoming of the undervaluation of the social sphere that occurred in the past and still exists today and the attitude toward it as something secondary that can wait.

Much depends on the initiative of local organs of government in attracting pensioners, students and schoolboys to work in the service sphere, expanding flexible forms of employment and developing individual labor activity. During the current 5-year plan, enterprises, associations and organizations of all sectors of the national economy, regardless of their specialization, are being enlisted in the creation of a ramified network of paid services. In the coordination of this work and determination of its most effective directions, in addition to sectoral ministries an important role also belongs to local soviets.

At the June Plenum of the CPSU Central Committee, the importance was stressed of developing the initiative of the Leningrad Oblast party organization in looking for additional resources for developing the social sphere. A decisive curtailment of new production construction and growth of work on reequipment, modernization of existing enterprises and renewal of production capital have made it possible to release considerable capital: investment for the social sphere, first of all for housing construction, and provision of public services for cities and settlements. Such an approach to the solution of major technical-economic and social problems and the initiative of the



Leningraders, it was pointed out at the Plenum, are of state importance and are an effective way along which the industry of other regions of the country should proceed.

The development of the service sphere aimed at provision of the population's needs and raising the quality of services will play an important role in creating intelligent needs and interests of the people, inculcating socialist culture, way of life, recreation and the full-valued use of free time.

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CSO: 1827/163

## CONSUMER SECTOR POLICY AND ECONOMICS

### TASKS TO ELIMINATE TRADE SECTOR SHORTCOMINGS STRESSED

Moscow PLANOVYE KHOZYAYSTVO in Russian No 8, Aug 86 pp 39-49

[Article by Professor M. Darbinyan, doctor of economic sciences: "Urgent Problems in the Development of Trade"]

[Text] Trade is still not satisfying the customers' demands entirely. Stronger incentives must be offered to encourage production to turn out new goods and to encourage trade to increase its sales volume. The organization of wholesale trade fairs, the study of demand, the raising of responsibility for the fulfillment of contracts will make it possible to realize this objective.

Our country's dynamically developing economy ensures the continuous betterment of the people's well-being and cultural level. Between 1970 and 1985, real per capita income rose by 62 percent while the average money wage of blue- and white-collar workers rose by 55 percent. Remuneration of the labor of kolkhoz workers in the social sector of kolkhozes doubled, retail trade turnover in state and cooperative trade increased 2.1-fold, and payments and benefits to the population from social consumption funds rose 2.3-fold. There was improvement in the supply of light industry products, consumer durables, food, housing, etc., to the population.

Nevertheless, notwithstanding these successes, the full potential and advantages of the socialist economic and planning system, which continuously raises the level of satisfaction of the Soviet people's needs, are still not being fully realized.

There are shortcomings in the planning and organization of trade, the development of which is a most important condition to improving the satisfaction of the population's needs. The growth rates of retail trade turnover have declined in recent years. This is due not only to the increase in the volume of retail trade turnover and correspondingly the absolute magnitude of every percent of increase, but is also due to changes in the working conditions of trade organizations and enterprises as well as changes in conditions on the consumer goods market.

The average annual growth rate of retail trade turnover by 5-year periods starting with 1965 was 8.2; 6.3; 5.2; and in 1982-85--3.4 percent. There are continuously sizable above-norm inventories of goods despite the fact that in 1984 the corresponding norms in retail and wholesale trade were raised by 8 and 7 days of turnover and in consumer cooperatives--by 3 days. Some of the commodity stocks valued at approximately 6-8 billion rubles can be sold only after the prices have been substantially discounted (40-50 percent) or reduced.

Sales difficulties are to a certain degree due to the fact that the product mix is renewed at a slow rate and there are few new products produced that the population would purchase to take the place of obsolete products.

Between 1980 and 1984, retail trade turnover in state and cooperative trade rose by 16.9 percent while inventories increased by 39.4 percent. We estimate that the increase in above-plan inventories amounted to more than 15 billion rubles. This sum, as we see, is very significant. Nevertheless, it is far smaller than the sum of nonfulfillment of retail trade turnover plans during the 11th Five-Year Plan. This means that one of the reasons for the nonfulfillment of trade turnover plans is the insufficient delivery of goods to trade at the same time that production plans are fulfilled, i.e., the actual imbalance between retail trade turnover plans and commodity resources even though these indicators balanced in the planning stage.

Shortcomings in the work of industry and trade, the imbalance between retail trade turnover plans and commodity resources, the incomplete use of the production potential for the production of necessary goods lead to the reduction of the growth rate of retail trade turnover at the same time that the population's cash on deposit in savings banks is continuously growing. Between 1980 and 1984, savings account deposits increased by 45.6 billion rubles, reaching the 202 billion ruble mark. The population's cash on hand is also increasing. At the same time, many of the consumers' needs remain unsatisfied.

The fifth session of the USSR Supreme Soviet emphasized that the satisfaction of the population's effective demand was a top-priority problem.<sup>1</sup> The directly social nature of labor in socialist society and the planned economy create objective prerequisites for ensuring correspondence and proportionality between the population's money incomes, the production of goods and services, and high rates of growth of production and of betterment of the people's well-being. The fact that these prerequisites are not always fully realized in practice, that produced goods frequently do not find social recognition and are not purchased, and that the existing production potential is underutilized at the same time are the result of shortcomings in the existing mechanism governing relations between production and trade.

In economic literature, various opinions are expressed regarding the reasons behind these shortcomings together with proposals for their elimination. Some authors believe that the whole problem is that industry is supposedly able to "force" its goods on trade, including goods that are not in demand by the population, irrespective of the needs of trade organizations. This situation is supposedly promoted by the system for planning commodity stocks.

This statement is not entirely true. In accordance with paragraphs 12 and 15 of the Statute on Deliveries of Consumer Goods to Trade, enterprises have the right to reject any commodities at the time the contracts are concluded while industry may refuse to deliver goods if the raw materials, supplies, etc., required for their production are not delivered, even if these deliveries are specified in the plans.

Thus the reason does not lie in trade's lack of the appropriate rights but rather lies in the insufficiently precise study and consideration of consumer demand and ignorance of the legal principles pertaining to the conclusion of contracts. Moreover, the rights of trade in this regard have been greatly expanded. The decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning, Economic Incentives and Management of the Production of Consumer Goods in Light Industry" states that starting in 1987 orders from trade based on wholesale trade fairs will be the basis for formulating plans for the production of consumer goods and for determining their mix and quality. It is forbidden to include in the production plan of associations (enterprises) goods that have not been ordered by trade or other customers and that are not covered by contracts.

Nor can the statement that unneeded goods were purchased due to the lack of the necessary goods that are in keeping with the population's demand serve as an excuse. After all, even under these conditions, items that are in limited demand should be purchased in quantities corresponding to their possible sale. The lack of the necessary goods cannot serve as a basis for trade's purchase of products that are not in demand nor can it be the basis for industry to produce goods "for the warehouse," thereby forming above-norm inventories in both trade and industry.

Nor are references to the "rigidity" of plans appropriate in explaining the reasons for shortcomings in the mechanism of interaction between production and trade. As already noted, the procedure for formulating these plans does not prevent the purchase of goods in the necessary volume. In the given instance, the problem is the reliability of consumer demand forecasts and the purchase of goods in accordance with such forecasts.

In our view, M. S. Gorbachev's statement at the 27th CPSU Congress that we must put an end to references to so-called objective circumstances, which in a number of cases have become a coverup for the inability and sometimes as well the reluctance to work better, is fully applicable to trade.<sup>2</sup>

Naturally, it is essential to give production more encouragement to produce new goods and to replace obsolete goods with new products; trade must be encouraged not merely to fulfill plans, but also to systematically increase the volume of sales. Unfortunately, ministries, production and trade enterprises and organizations today are not properly interested in adopting intensive production and sales plans; both one and the other find it objectively easier to resolve questions pertaining to product mix and sales when the production volume is smaller. Therefore, it is not by chance that production and trade enterprises expend major efforts to secure an unintensive plan which they frequently call "realistic." As a result, their production



potential is not fully utilized, the population does not spend its available cash, and ultimately the projected, potential rate of betterment of the population's well-being is not achieved. An artificial scarcity of certain goods develops even when the potential for increasing their production and sale is systematically underutilized, and the necessary production capacities and raw material resources are available. We should emphasize that, as K. Marx noted, the conditions when the production of goods followed demand were characteristic of the period of simple commodity production whereas under capitalism production precedes demand and "takes demand by force."<sup>3</sup> Naturally, such a lag in production is all the more unacceptable under socialism, where supply should anticipate, develop, and shape demand.

The potential in this area is great. For example, 66 billion rubles' worth of goods (according to the draft plan) were offered at 3 wholesale trade fairs in 1985 (textiles, clothing, footwear), but only 62 billion rubles' worth were purchased. As a result of the further work of industry and trade "under the plan" (supply of new commodities, updating of product mix, etc.), there was a systematic reduction in the underpurchase of goods and in the middle of March 1985, contracts were concluded for almost the entire planned volume.

At a meeting with the working people in Togliatti, M. S. Gorbachev cited the example of a wholesale trade fair in 1984 where trade organizations refused to purchase 67 percent of the color television sets included in the production plan of the Gorkiy Television Plant im. V. I. Lenin. But at the end of the year, as a result of a number of measures to improve product quality, the same organizations requested an increase in the delivery of color television sets from that plant.

An important condition to increasing the volume of purchasing is the organization of wholesale trade fairs that can be instrumental in determining the volume of production and delivery of goods with due regard to existing production capacities, the population's purchasing funds, the level of development of the trade network, warehouse capacity, etc. Trade fairs are especially important in forming the mix of products to be delivered, in coordinating the product mix based on orders from trade, in evaluating product quality, and in determining the future prospects for the development of production. This makes it possible to ensure the production of goods in physical terms on the basis of plans calling for the optimal utilization of the existing production potential, raw material resources, etc. on the one hand, and to ensure the delivery of goods in accordance with the population's demand and with orders from trade organizations and enterprises. Naturally we are discussing realistic, balanced plans.

The previously mentioned decree of the CPSU Central Committee and the USSR Council of Ministers emphasized the improvement of work of wholesale trade fairs. In particular, it called for holding the fairs twice a year or more often if necessary; for the establishment of continuously active trade fair committees; for the transition to the free sale of goods; for the establishment of contract prices at trade fairs on high-fashion products, and other measures.

In order to improve the interaction between trade and industry, some economists propose the creation of a system for the centralized study of demand for the overall volume of goods, for individual types of goods throughout the nation in general and individual regions, for the development of centralized "product mix plans" for industry and trade enterprises. It is technically difficult to implement such proposal even with the use of sophisticated computers and data transfer systems. The problem is that consumer demand is so dynamic over time and varies so greatly from one region to another that even initially ideal conclusions going from top to bottom will become out of date and will lose their practical meaning. Moreover, such a centralized system of relationships between production and trade would tend to bureaucratize their relations and would diminish the responsibility of the parties participating in the delivery, purchase and sale of goods.

Of course this does not mean that there is no need for a nationwide system for the study of consumer demand. Such a system must closely coordinate the work of various entities that study consumer demand--agencies of government, organizations and enterprises (associations) in industry and trade, and other institutions, as well as the exchange of information, etc. At the same time, each institution must study the independent aspect of demand directly associated with the problems that it addresses. This is very important for raising responsibility for the precise study of demand, for the accuracy of forecasts, and for the substantiation of orders submitted for the production and delivery of goods.

We must agree that our industry is capable of satisfying the population's needs. The main difficulty is that we do not know specifically the quantity and types of products that should be produced 1, 2, or 5 years from now.

Industrial enterprises must be certain of the necessity of producing a certain product, i. e., must be assured of a market for their product; the guarantor is the agency ordering the product. This order must extend over a period of roughly 5 years--the average time it takes an enterprise to assimilate the production of new products and to recoup its costs.

It is often assumed that scientific institutions, including the All-Union Scientific Research Institute For the Study of Consumer Demand and Market Conditions (VNIIEKS) under the USSR Ministry of Trade, together with their affiliates in union republics, and consumer demand study services at all levels of management elaborate practical recommendations and concrete data on demand for one year, two years, for the next five-year period for virtually every oblast, city, and enterprise, and indicate which goods will be produced, by whom, and who must do what at the local level.<sup>4</sup> We cannot entirely subscribe to this view.

It involves a certain degree of confusion of the tasks of studying and forecasting consumer demand and the need to determine the volume and mix of the necessary products for the entire country, for individual regions and individual industrial enterprises. These are related but different tasks. They differ by virtue of their different criteria and objectives and of course must be resolved by different organizations. It is necessary to enlist the aid of many different people ranging from heads of ministries to sale clerks,

from scientific coworkers to merchandise economists, who must say which goods must be purchased, what must be delivered to the stores, and hence what must be produced. Between these aspects of the problem--the study of demand, the filing of requisitions and orders on that basis, the determination of who must produce what--there are differences in time (season), in space (points of production are not identical with regions of consumption), and even in the volume of the necessary goods taking into account required changes in inventory, imported goods, the volume of export, non-market needs, etc.

Naturally, the first task--the study of consumer demand throughout the nation and in its individual regions--must, of course, be addressed by the trade apparatus: all-union and union-republic ministries of trade, oblast (kray), and city trade administrations; trade organizations; consumer demand study services, etc. Of course, the possibility of calling upon scientific institutions, including VNIKS and its affiliates, for assistance is not excluded. But they must specifically be called upon. Scientific research institutions must inform industry and trade on anticipated trends toward change in the demand for certain types of products, which should serve as the basis for drafting requisitions and orders. However, they are unable to determine demand for the entire vast industrial product mix and the necessary volume of deliveries and requisitions. And indeed, that is not their task.

In addition to studying consumer demand and forecasting this demand for the nation as a whole and individual republics for groups of commodities, VNIKS should develop rational consumption norms for the nation and for union republics, guidelines for studying consumer demand and market conditions for all trade management entities, etc. All other work (the determination of demand for more highly differentiated groups of products, the distribution of the volume of necessary deliveries by ministries and departments) should be performed by trade institutions headed by the appropriate all-union or republic ministry.

The study of consumer demand is not an end in itself. It is the basis on which trade management agencies should prepare requisitions for planning agencies, industrial ministries and departments for the production and delivery of the required goods, while organizations and enterprises (associations) should submit detailed product mix orders with their industrial partners. The future wholesale payer for a good should also submit a requisition (order) and hence must also determine need and, correspondingly, demand.

Study of demand--demand forecasting--requisitions (orders)--settlement of accounts for delivery of goods--sale of goods to the population are processes that are closely connected and complementary not only logically but also economically and are the conditions to the functioning of trade and therefore the work corresponding to them should be carried out within trade. And the responsibility for part of this work, in the given instance the study of demand, cannot be shifted to any other organizations.

Of course, this does not mean that these institutions should not study demand. In their work, planning agencies must necessarily use demand forecasts, especially for aggregated groups of goods and in long-range calculations.



General plan indicators must be developed on their basis. For example, USSR Gosplan and the gosplans of union republics must establish the general volume of production of sewn goods on the basis of consumer demand forecasts. Ministries of light industry and trade determine the volume of production by types of products for specific specialized industrial enterprises and the enterprises determine the specific mix of goods that are to be delivered.

The study of the needs of consumers is extremely important to industry. Demand is so dynamic that not a single agency can file a stable order even five years in advance with the guarantee that needs during this time will not change and hence industry must "keep its finger on demand's pulse."

In the process of studying demand, it is also necessary to define such concepts as unsatisfied demand, carryover demand, etc.

Unsatisfied demand for a certain good is the result of deficient supply. The demand for goods is highly elastic and therefore in such a case it is very frequently satisfied by other goods. For example, if a certain type of good (a black suit) is not on sale, the consumer can purchase another suit (a blue suit). Or, let us say, a consumer wishes to buy a new color television set to replace his old black and white set, but the store does not have the model he desires and instead he buys a tape recorder and decides to make do with his old television set for the time being, etc.

Such elasticity of demand is particularly high in the case of food and products produced by light industry. Thus, in 1984, the sale of butter rose by 7.9 percent, as a result of the considerable increase in its production, compared with 1983, whereas in the three previous years the average increase was 0.3 percent. The sale of vegetable oil in 1984 increased by 1.7 percent while the sale of margarine products remained at the previous level. In recent years, the average annual increase in the sale of butter has been 2.7 percent. This means that the shortage of butter in the previous years was compensated by margarine.

A similar situation has also developed with the sale of meat, meat products, fish, fish products, and certain other commodities.

Thus, the study of demand does not make it possible to determine total demand for certain types of products, i. e., it does not possess the property of additiveness.

Demand cannot be adduced territorially, i. e., the overall magnitude of demand throughout the nation cannot be judged according to the sum of demand (requisitions) of individual republics or, for example, in a city--on the basis of requisitions from stores or even trade organizations. The explanation for this is the mobility of the population and the fact that demand is expressed more than once in the period for which it is studied--day, month, year, etc.

It is also necessary to take into account the "liquidity of demand, which is transferred to other goods if the desired goods are unavailable, and is a permanent demand. If, for example, a consumer cannot find bread to buy, he

replaces it with other products (the permanence of demand is reflected therein). However this does not mean that he will buy twice as much bread the next day--this type of demand is permanent over time and virtually does not change. This applies to almost all food products, and they comprise more than half of the entire volume of trade turnover and the greater part of the nonfood commodities. Accordingly, it is also impossible to sum demand over time.

In this regard, calculations of so-called summary unsatisfied demand for 5-10-15 years are not legitimate when they are based on the volume of demand for individual years. Such calculations are economically useless and the resulting indicators cannot be used in practice. If, let us say, the volume of unsatisfied demand in each of the ten preceding years was 10 billion rubles, this does not in any way mean that it will equal 100 billion rubles in the coming year.

Also incorrect is the proposal to consider the increase in the population's cash on deposit in savings banks an indicator of deferred demand. This would mean that savings bank deposits would not grow if the population's demand was entirely satisfied. However, such a situation is simply objectively impossible given the constant growth of the population's incomes, the improvement in its well-being, and the considerable expansion of the mix of light industry products and consumer durables already acquired by the population.

What then is the volume of unsatisfied demand? Without making a detailed examination of the methods used to determine it (this is a separate problem), it should be noted that the overall volume of supply of goods is much greater than in preceding years. Unsatisfied demand is not so very great: according to our estimate, it is approximately 15-20 billion rubles taking demand and product mix into account.

The second stage in the organization of the production of consumer goods after the study of consumer demand is the determination of demand based on the volume and mix of goods that must be produced at enterprises (in associations).

Production plans must be formulated with due regard to the need for the ever more complete satisfaction of the population's needs (specifically needs, not only demand). It is necessary to take into account the scientifically substantiated norms of rational consumption. This makes it possible to determine the optimal structure of development of production and capital investments from the standpoint of social needs, of course, together with the corresponding balanced development of the raw material and processing branches of industry, transport capacities, etc.

The overall volume of retail trade turnover is established on the basis of the projected overall volume of production, export, and import of commodities and other commodity sources. The population's money incomes are determined on the basis of the same data on production and on the volume of commodity output. The simultaneous substantiation of retail trade turnover plans and the population's money incomes ensures their balance.

Within the limits of the overall balance of plans with regard to volume, it is necessary to secure an optimal correlation between the satisfaction of the need for goods and services, the relatively more rapid growth of the latter, an optimal mix of offered goods in accordance with the structure of demand (orders from trade), the dynamicity of change in supply over time and territorially in accordance with seasonal changes in demand, and above all--the economic and moral interest of trade and industrial enterprises in meeting the assigned targets, i. e., provision must be made for the use of the economic mechanism that stimulates the production of the mix of goods needed by the population, the effectiveness of their production, the elimination of negative phenomena in the production and sale of commodities, etc.

In order to increase the effectiveness of this mechanism, we believe that it will be necessary to strengthen cost accounting relations between trade and industrial enterprises. The Statute on Deliveries of Consumer Goods (para. 3) specifies that goods must be delivered under contract and that the planned volume of deliveries is essentially a guidepost within the limits of which contracts should be concluded (para. 15).

The performance of trade enterprises is evaluated according to their level of plan fulfillment. As a result, they as a rule are not particularly interested in increasing these plans. The role of profit as a fund-forming indicator should be intensified in order to motivate them to increase their sales volume. The profits of trade enterprises should be distributed on a normative basis according to their performance. In such a case, the share of profit left at the disposal of the enterprise should increase in proportion to the growth of gross income. We should discontinue the practice of transferring the so-called free profit remainder to the state budget, which essentially nullifies the cost accounting principles of management. This will naturally require improving the system of trade discounts.

Responsibility for the fulfillment and breach of contracts should also be raised. The previously mentioned decree of the CPSU Central Committee and the USSR Council of Ministers indicated the appropriate measures. It stated in particular that for failing to deliver goods on schedule or in the specified quantity, the supplier must pay liquidated damages [neustoyka] in the amount of 7 percent of the value of goods not delivered on schedule; must pay liquidated damages of 10 percent to customers in other union republics, in regions of the Far North, and in other regions scheduled for early delivery; and liquidated damages of 15 percent for shipments of children's goods. The buyer pays liquidated damages in the same amounts for failing to pick up goods or for refusing to accept them without proper justification. The decree also stated that in the event industrial associations (enterprises) fail to fulfill their contractual obligations for deliveries, their material incentive fund will be reduced by the amount of fines imposed for their nonfulfillment, but not by more than 20 percent of the planned material incentive fund. The absolute amount of payments to the material incentive fund changes depending on the fulfillment of contractual delivery obligations. If these obligations are fulfilled entirely, the material incentive fund is increased by 15 percent. All this will unquestionably do much to improve the state of affairs.



The practice of recent years shows that the retail trade turnover plan, which is compiled on the basis of the nation's production potential and the volume of exports and imports of consumer goods, usually exceeds the trade turnover plan, which is compiled on the basis of contracts concluded at wholesale trade fairs, by 7-10 billion rubles, which is 2-3 percent of retail trade turnover. This gap is widening increasingly as the market becomes more saturated with consumer goods and as consumers become more demanding of the assortment and quality of goods.

This problem is of all-union significance and demands an all-union solution. There is need for an economic mechanism for detecting unutilized reserves of raw materials, supplies, and production capacities and for efficiently maneuvering these resources throughout the nation over time. This problem can only be resolved with the aid of all-union wholesale organizations. Other factors--the strengthening of wholesale trade, increased specialization, the higher degree of complexity of cooperation in production, etc.--also make the establishment of these organizations important. But this is a separate issue. In the case under examination, we merely note that the organization of additional wholesale trade fairs, the distribution of goods throughout the nation in accordance with changes in demand, the accumulation of seasonal reserves of commodities, and above plan orders for the industrial production of certain types of goods for wholesale in various regions will promote the efficiency of the search for additional resources for the production of goods and will also improve their distribution.

Some economists propose the intensification of so-called integration processes between production and trade in order to make resources more maneuverable. What is more, in order to make the functioning of trade and industry more effective, they consider it necessary to establish a single integrated system for managing the joint activity of branches of the national economy that produce and sell consumer goods. We cannot entirely agree with this idea. Of course, there is a need for a single integrated direction of their activity and even for the unified evaluation of their performance. But it should be remembered that trade and commodity production are two independent spheres of social production with their own specific tasks and criteria. Production includes numerous branches of the national economy--agriculture, the food branches of industry, light industry, heavy industry, etc.

And it is not by chance that in all stages of the development of the agro-industrial complex, including the formation of the union-republic USSR State Agro-Industrial Complex and its agencies at the local level, food trade was not included in its activity, which naturally does not exclude the sale of food through factory stores or specialized stores as in other ministries and departments.

Historically, the separation of trade from production into an independent branch was the third major division of social labor and was a most important step in the development of the economy and in raising productivity. In the third volume of "Capital," K. Marx called attention to the fact that the amount of trade capital as a separate entity was less than the amount industrial capital required for the trade part of its enterprise. Since the

merchant is engaged in exclusively commercial activity, not only the good is transformed more rapidly into money for the producer, but the turnover time of commodity capital is faster than when it is in the hands of the producer. One turnover of trade capital may present not only turnovers of many capitals in one sphere of production but also turnovers of several capitals in several spheres of production. And consequently, even though trade capital does not create value, and hence, surplus value, it helps to reduce circulating time and hence, indirectly, to increase surplus value. By promoting the expansion of the market and serving as a medium for the division of labor, it thereby also increases the scale of production and raises the productivity of social labor.<sup>5</sup>

Of course, proposals contradicting the historical trends in the development of the division of social labor are all the more illegitimate under socialism.

The basic goal of socialist production--the ever more complete satisfaction of the population's needs--can only be attained by raising the reciprocal demandingness and responsibility of trade and production. And this requires not the "smearing" of the existing (albeit nonantagonistic) contradictions between production and consumption (trade), but their clarification and resolution.

Such work cannot be successful when the management of industry and trade is integrated. For example, production is interested in manufacturing a narrow assortment of large-tonnage goods while the customer, on the other hand, is interested in a broad assortment of smaller goods. The optimal correlation is established through the examination and resolution of conflicting arguments.

Here is another example. The Ministry of the Fish Industry is in charge of the wholesale trade in fish products. The movement of fish and fish products includes the stages fisheries-wholesale organizations-retail trade. So-called wholesale trade fairs between fish industry and wholesale organizations have virtually no significance. They have acquired a formal nature since both parties to purchase transactions belong to the same ministry--the USSR Ministry of the Fish Industry. At the trade fairs, plans for the distribution of products are formulated "peacefully." When, however, USSR Ministry of the Fish Industry Wholesale Organizations are at other trade fairs or when they try to sell fish and fish products to retail trade organizations even without wholesale fairs, the real contradictions immediately surface and real "trading" begins: it turns out that some of the proposed products do not enjoy consumer demand, there are refusals from retail trade, etc. As they used to say in days of old, "there is no friendship when you are dealing." And products that were so lightheartedly purchased by wholesale organizations continue to lie in their warehouses. This motivates planning agencies and production to find ways of replacing the assortment, and processing technique, i. e., to detect and resolve contradictions in order to secure the more complete satisfaction of the population's needs. When management is integrated, all these contradictions are veiled and ultimately lead to the growth of unsalable inventories.

We can also cite the following example. The transfer of a considerable part (almost 50 percent) of the retail fruit and vegetable trade network to the

Ministry of the Fruit and Vegetable Industry (which was established in 1981) did not promote substantial improvement in the supply of these products to the population, to say nothing of the fact that store managers frequently complain that the departmental leadership often forced inferior products on them that they could have previously refused.

The joint sale of commodities of different branches of industry generates so-called associated, impulse demand when the purchase of one commodity generates demand for associated commodities. Let us say, for example, that the purchase of garments generates demand for footwear, hosiery, haberdashery, etc. These goods are produced in different branches and subbranches of industry. The integration of production and sale in many of these branches would eliminate impulse demand. According to approximate data, this type of demand is 30-50 percent of overall demand, and its share will grow with improvement in the population's well-being.

The creation of combined production-trade systems requires the formation of a new system for managing this entire complex as well as the organization of a parallel wholesale trade network for forming the assortment of goods for stores, i. e., for transforming the production mix into trade assortment. However, not every store can trade exclusively in the goods produced by one plant, factory, or even association (considering the ever increasing specialization of production).

The foregoing has also been confirmed by the experience of the first prewar years when a broad network of factory stores was established (for light industry products, radios, electrical products, etc.). Moreover, the organizations that marketed finished products were subordinate to industrial ministries, which made their commodity supply easier. The practice did not prove itself and the network had to be shut down.

Thus, in our view, the so-called integration processes in the production-trade complex are not absolute and cannot be extended to the entire country or to all branches. However, this of course does not exclude the feasibility of establishing the integrated management of production and trade in individual, special cases at the level of organizations, enterprises (associations) when it is necessary to satisfy specific needs. The network of factory stores should also be expanded. At the same time, it is essential to improve their work on studying and shaping consumer needs and demand, on advertising, and on actively influencing production with the aim of updating the product mix and improving product quality, increasing the production of new products that more completely conform to the population's needs, improving the quality of service, and expanding the sphere of consumer services (the preparation of sales, delivery and installation of acquired products, advice, etc.).

The decree of the CPSU Central Committee and the USSR Council of Ministers "On Improving Planning, Economic Incentives, and Management in the Production of Consumer Goods in Light Industry" takes particular note of the need to establish industry-trade associations for the integrated resolution of problems pertaining to the production and sale of popular products in the process of improving the master plan for the management of light industry.



In order to resolve this problem, we believe that in the process of establishing such associations and hence, factory stores as well, consideration should be given to the wholeness of the population's demand for certain groups of products and not only to the specialization of groups of products by a branch. These stores should not only offer items that are produced in the given association but should also sell products produced at enterprises belonging to the entire ministry as well as companion products. For example, the time has come to form an industry-trade complex for the sale of means of transport (cars, motorcycles, etc.), spare parts, additional companion goods (car trailers, etc.) and for performing appropriate services. The complex should be headed by the Ministry of the Automotive Industry, even though it will use the products of many other ministries (chemical industry, consumer services, etc.). Accordingly, we believe that such a complex should also be created for sporting goods, jewelry and certain other items.

However this does not in the least diminish the responsibility of the trade organization, its management agencies, and stores for improving service to the population, for increasing the volume of goods sold, and for fulfilling retail trade turnover plans.

The tasks indicated by the 27th CPSU Congress concerning the acceleration of the nation's socioeconomic development presuppose strengthening the role of trade and its management agencies in satisfying the population's demand, in continuously increasing the volume of trade turnover, and improving the quality of service.

#### FOOTNOTES

1. See PRAVDA, 19 June 1986.
2. See: "Materialy XXVII syezda Kommunisticheskoy partii Sovetskogo Soyuz" [Materials of the 27th CPSU Congress], Moscow, Politizdat, 1986, p 32.
3. See: K. Marks and F. Engels, "Sochineniya" [Works]], Vol 4, p 101.
4. See: A. Kostenok, "Not Just a Fluffy Kerchief," PRAVDA, 14 February 1985; A. Gladkov, "The Local Market. What It Trades In," IZVESTIYA, 10 March 1985.
5. See: K. Marks, et al., Op. cit., Vol 25, Part 1, pp. 293-307.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### VASHCHENKO ON WAYS TO IMPROVE TRADE MECHANISM

Moscow PRAVDA in Russian 7 Aug 86 p 3

[Article by G. Vashchenko, USSR Minister of Trade: "Taking Price Increases Into Account: From Industry to Trade to the Customer"]

[Text] In carrying out a policy of in-depth restructuring of the system for controlling the economy, the CPSU Central Committee and the USSR Council of Ministers have adopted a decree on improving the planning, economic stimulation and management of state urban trade and rural cooperative trade.

The restructuring of the trade mechanism in the sector takes on special purport and meaning in light of the significant tasks which have to be solved during this five-year plan period. By 1990 the absolute growth of the trade turnaround should almost double compared to the 11th Five-Year Plan period. The network of stores and public catering bodies will widen considerably. Thanks to the increase in the production of public demand commodities and in the population's income levels in recent years the supply of clothing and footwear has markedly increased for the Soviet people, as have available supplies of furniture, culture-related goods, complicated domestic appliances and household goods. As a result, the so-called "secondary demand" for many of these items, which demand is noted for its high dynamism and selectivity, still predominates today.

Consumers nowadays are demanding a greater assortment and higher quality in the goods being offered. With this manifest abundance in the marketplace, individual groups of the population--young people, the elderly, families with a lot of children etc., are demanding special interest and priority items.

In circumstances such as these, our enterprises and organizations will have to take on the prophet's mantle. Their primary concern will be that of analyzing and evaluating changes in marketplace trends, in popular demand and in consumers' opinions on the products-mix and quality of the items being sold. Experience leads to the conclusion that the level of planning, commercial and organizational work in the sector depends on the skill of those working in trade to solve these problems, as does the final result: satisfying increasing popular demand.

Right now the main factor in improving efficiency is the closer tying of the plan for goods turnaround with the plan for production and delivery of goods, with the population's income, the setting up of the product-mix in the stores, taking care that the customer can acquire the things he needs in the shortest time. This is precisely the way the decisions of the 27th party congress intends for the trade workers to organize their business.

The economic mechanism which became established in the sector came into well-known conflict with these qualitatively new economic management-related requirements and conditions. At some stage it ceased to provide that which was mainly needed: concern on the part of the enterprises and organizations about achieving high final results through the zealous and masterful utilization of existing resources and the active involvement as concerns internal resources, reduction of non-productive outlays, increased competitiveness, all the while struggling to attain high standards of service in the trade sector.

The new economic mechanism directs us toward a quest for ways and means of effective economic management, improvements in our planning and commercial efforts, improvements in the organization of trade, toward the introduction of advanced goods-movement technology and progressive methods of goods sales. It will also raise our level of concern about reducing non-productive outlays and about developing our reserves for growth in every way possible.

The main thing out of all this is that it brings into the management of the sector the following things: a considerable broadening in the independence of the enterprises and organizations, a transition to the use of predominately economic leadership methods, strengthening of profit and loss accounting, and widespread introduction of self-financing and self-paying. An increase is also expected in opportunities for our enterprises to manage wages so as to develop our material and technical base, matters such as material incentive and the resolving of social problems. The majority of issues associated with our enterprises' and organizations' planning and economic operations effort are now to be resolved directly in situ. And the attention of our trade administration bodies will be focused not on petty affairs, but on the strategic problems of developing the sector.

From now on only the retail commodity circulation (not counting alcoholic beverages) will be centrally fixed in the five-year and yearly plans for basic activity, as will capital investment limits and the putting into operation of new facilities. The five-year plans will be structured on the basis of immutable economic normatives.

In accordance with the trade turnover set by the plan and by the stable normatives, auctions will devise plans of economic and social development independently. They will have the right to determine the circle of clients as well as their limits and standards, starting from the tasks of increasing the turnaround of goods and improving the caliber of our trade. This is an extremely effective measure. And its effectiveness has been confirmed by the results of an experiment conducted in 1985 in which 170 auctions participated.

The territorial aspect of planning is being strengthened as well. The rights of the ispolkom of Soviets of People's Deputies have been expanded.

Beginning in 1987 the retail sales turnover and market allocations will be planned by and large by autonomous republic, kray and oblast, and will be set up in accordance with the appropriate ispolkoms according to their trade systems. In so doing, real prerequisites for economically based planning will be established, as will a closer connection of the turnover of goods with the population's resources and their income and the special features of the way in which demand is developed. Also, opportunities for maneuvering goods so as to more completely meet popular demand will be expanded.

The financing system has been reviewed. Instead of profits used as a basis for the evaluation of the enterprises' cost accounting work, the so-called residual revenues are used, which also comprise the primary source for financing social and economic development. This establishes a direct tie between the final results of the trade workers' activities and the level of their economic management and provides the necessary combination of personal interests and the interest of the labor collectives with the general interests of the state.

In the struggle to increase payoffs, the reduction of the overheads upon which the amount of profits made depends directly, plays an important part. Great reserves exist here. Take just the implementation of achievements in scientific and technical progress. For example in the trade structure, of the basic economic unit, about 14 percent of all outlays are used for hauling goods and packaging materials. On the average, they amount to about a half million rubles per year per auction. With a changeover to progressive production equipment and the use of packaging equipment, transport costs are reduced by one half. That is, there is a gain of no less than 200,000-250,000 rubles per year.

The packing equipment has already passed on-the-job testing in 16 cities in this country and has made an excellent showing. A scientific and technical program to introduce this equipment during the 12th Five-Year plan period in 85 major cities, where about 40 percent of the country's urban population reside, has been developed. Estimates indicate that this program will allow something close to 100,000 workers to be freed for other duties, and will produce an economic effect of about R3 million in the course of the five-year plan period.

These new economic management conditions require the efficient use of fixed capital. For example, we have become accustomed to thinking that the demand from trade and the public catering sector for production equipment is far from being satisfied. But complaints about equipment shortages are a long way from always being justified. We have not yet used up all our internal reserves for increasing the productivity of our existing equipment.

Thus, at the public catering enterprises, and in the conditions which have come about with regard to food-preparation equipment, we find that a considerable portion of the equipment is being used inefficiently and is standing idle.

Potato-peeling machines and meat grinders and other types of mechanisms and machinery are used only one or two hours per day. The way out of this situation is through putting new production equipment into production as part of a changeover to industrial production methods. However, the important reserve for improving the operational efficiency and satisfying popular demand for the products handled by public catering bodies has not yet been estimated at its true worth. The new routine of economic management is forcing an acceleration in the solving of this problem, too. Plans for the current five-year plan period call for building 70 factories which will produce prepared foods and culinary items and will carry out the technical re-equipping of a large number of canteens, cafes and apartment house kitchens.

In accordance with the decree, progressive ways and means of selling goods will be widely advanced. Our network of stores which are stocked with a broad product-mix of items used daily will increase drastically. Here is where excellent conditions for putting our new equipment into action have been created. The turnover of goods in our general stores are 20 percent higher per square meter of trade area, and the time spent looking for and purchasing goods is 25-30 percent lower than for regular stores. The decree of the CPSU Central Committee and the USSR Council of Ministers regarding the restructuring of the economic mechanism in this sector has dictated a new modus operandi for the interaction of trade with industry. Now the basis for developing plans for the production of goods to meet popular demands will be trade orders, taking the results of wholesale trade fairs into account. The practice of producing goods for which there are no trade orders or other customers has been forbidden.

The trade sector has also been given more rights in the area of price-setting, including the right to set prices with consideration for the demand for new and particularly fashionable goods. On the one hand, this strengthens the producers' dependence on trade and, likewise, on the consumer whose interests it represents. On the other hand, and as never before, the responsibility of the trade organizations and enterprises themselves has been increased with regard to precisely determining and keeping account of customer requests, for a more thorough substantiation of orders and seeing that industry is accurately oriented in their production of the high-quality items needed by the population.

The business has to be set up so that during the wholesale trade fairs the trade organizations actually conduct auctions with the distributors, and so that they selected and ordered only those goods which will be purchased quickly and will not lie like dead weight on warehouse and store shelves. The work done with the industry at the wholesale trade fairs has to become the basis for working out a goal-oriented trade and product-mix policy which is aimed at a specific consumer.

Directors of wholesale and retail trade enterprises and organizations must clearly understand that the wholesale trade fair does not comprise a formal "timetable" for the product-mix, but is more a decisive stage in its planning, upon which depends the final results of the work done in the trade sector. In this connection, the work being done by the trade organizations and in

the enterprises the study of demand is sharply increasing in importance. Constant and daily observations and long-range predictions must become the basis for plan setting and commercial activity, especially at the wholesale level. In the presence of the new economic management conditions and the circumstances which have come about in the marketplace, it is quite out of the question to let ourselves be oriented only by the up-to-the-minute fluctuations of market conditions. Nor can we be guided solely by the above when determining the demand for sales resources and volume, as this has often been dealt with, in my own personal experience, by "trade intuition". Decisions should be based on complete reliable information about the state of and prospects for demand growth.

Clearly, the sector's new economic mechanism will not begin to function in and of itself. The effectiveness and yield derived from its introduction will depend first and foremost on how profoundly and correctly the shop personnel themselves understand its intensified requirements. We have a great deal of work to do in educating all categories of trade workers. This is one of our most pressing problems, and we have already set about solving it. As always, the sector's communists will play a leading role here. The party organizations affiliated with stores, auctions, wholesale centers and public catering bodies have been ordered to take unremitting control of all training for working with the new economic mechanism. They will develop this training and will organize, within the collectives, the interpretation of all the important points of putting into practice as quickly as possible the decrees of the CPSU Central Committee and the USSR Council of Ministers on improving the planning, economic stimulation and control of state and rural cooperative trade.

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## CONSUMER SECTOR POLICY AND ECONOMICS

### RAISING RETAIL MEAT PRICES ADVOCATED

Moscow TRUD in Russian 22 Aug 86 p 2

[Article by G. Lisichkin, candidate of economic sciences: "Meditations at the Meat Counter"]

[Text] Steady improvements in the living and working conditions of the Soviet people and more fully realizing the principle of social justice in all spheres of social relationships: these are the basic tasks of the social policy of the party.

Life shows that social justice is a dynamic phenomenon. Eliminating the global injustices inherent in capitalism is not quite everything. It turns out that even in our times a special mechanism is needed to permit carefully pursuing all possible deviations from the principle of social justice and rapidly eliminating them.

I'd like to state my opinion on a question many people are interested in. Let's give some thought to a well-known fact: meat and meat products in our country are currently sold to the public at prices two to three times less than it costs to produce them. Every year the state spends over 20 billion rubles just to cover the losses for this part of the foodstuffs program.

Let's think the situation over. Twenty years ago, when per-capita meat production in our country was only 41 kilograms, there was serious talk of overproduction, since there were great difficulties in selling these products. Under conditions of relatively low wages, the government's efforts to support prices for foodstuffs below their cost seemed to be just from a social point of view, as just material aid and concern for families with many children and for poorly-paid workers.

Today the trade situation for agricultural products has changed profoundly. The urban populace which purchases products in the stores has over the last 20 years grown by about 57 million people, while its real income has risen in the years 1970-1983 alone by 43 percent. Moreover, the proportion of highly-paid workers (over 100 rubles per family member) among them has increased from 4.0 percent in 1965 to 60 percent in 1984. Clearly, the number of regular meat purchasers in the cities has sharply increased.

Serious changes have taken place in the country as well. Inasmuch as the real income of the rural populace has also grown rapidly, for the first time in their history the country-dwellers have also beaten a rather broad path

to the store. Meat consumption in the villages has increased over the last 20 years. But the number of cattle in the private subsidiary farms has decreased. Therefore the former meat producers have increasingly become meat consumers.

Qualitative changes have taken place as well in meat production itself and in procurement. Since the mid-1970's, throughout the world and in our country as well, sources of energy and raw materials for industry have become much more expensive. And inasmuch as modern agriculture supplies enormous amounts of products for industry, this cannot but influence production costs--above all for meat.

In order to increase rather than reduce its production the state should have increased the procurement prices for cattle raised on kolkhozes, sovkhoses and private subsidiary farms; after all, without a material interest it is difficult to expand any kind of business in our age. Under these new conditions the old theoretical postulate, which asserted that under socialism prices for foodstuffs should remain stable and low, was found to be of doubtful validity.

In actual fact, what does it mean to sell meat in the stores at prices two to three times less than production costs? Everyone understands that this means distribution to the purchasers, via the meat shops, of the above-mentioned 20 billion rubles as a supplement to the wages they have earned. It's always more pleasant to receive than to give. But who is the primary recipient of this subsidy, which is being distributed more according to need than according to labor? Clearly those who buy the meat meat. And you see, whereas in production the state pays additional wages to good workers for their end results, in the stores a different standard is employed--the principle of consumption, whereby a part of the nation's wealth is distributed among the purchasers. And the plus sign, which marked the social policy oriented toward artificially low prices for foodstuffs, has unexpectedly started to change to a minus sign, inasmuch as the state subsidy for meat is not being distributed fairly.

Moreover, under conditions of a definite meat shortage, the practice of forming supplies is inevitable--that is, establishing a preferential procedure for priorities in satisfying the requirements of this or that region or social group. Differing degrees of procurement "influence" for various organizations leads to a situation where certain social groups of workers are unable to "barter" for meat; they cannot make use of the monies intended for them. They are forced to go to the market or to speculators and get overcharged, whereas at the same time others receive a "bonus" from the state for the steak or the serving of shashlik they buy.

But let's continue. Not long ago I managed to visit the Tallin meat combine. I was left with a depressing picture. The administrators of the combine explain that over the last 20 years the equipment here has not in fact been renovated and the production capacity has not been increased. The difficult working conditions have caused workers to leave. They are barely able to organize work for one shift let alone two. And this has a negative influence on the effectiveness, and on the capacity of the shops.



Why does such technical obsolescence prevail at the enterprise? It's not hard to answer this question. The meat combine does not exist on its own income but on those funds which it receives from the budget. At the same time the higher financial and planning organs are not in a position to give to everyone all that they ask for. Presently--and this was discussed at the party congress--the question is one of strengthening the self-supporting principle in the economy, and one of developing the principle of self-financing such that every enterprise would itself earn the money for reconstruction and introduction of technical innovations. But is it acceptable, and in a larger sense is it wise to prescribe development of production relationships for these very meat combines?

Let's return to Tallin. The meat combine presently procures meat from kolkhozes and sovkhoses at an average price of 2 rubles 20 kopecks per kilogram; another 20 kopecks goes to processing the meat--but, the meat is sold in retail trade for 1 ruble 67 kopecks. How can there be any talk of profit under these conditions? One must wait patiently until Gosplan is able to allocate something for the collective, and look on with envy at other--profitable--enterprises, where at the same time the workers are receiving large bonuses by virtue of their profits; are going off to Black Sea coast sanatoria and rest homes; are building kindergartens; are improving working and living conditions... Need it be said that workers in industries which process agricultural raw materials have a great deal of interest in changing the economic status of the branch?

And now let's take another look at the above-mentioned figure--the 20 billion rubles--the amount of the subsidy to the populace for purchasing meat in the stores. At the present level of consumption, this amounts to about 60 kg per person. It's not hard to calculate how much the government would lose if meat consumption were to rise to the scientifically established norm--that is, 78 kg per person per year. An absurd situation comes about: under present-day economic conditions the state budget has no interest in the rapid growth of meat consumption.

What's the solution? The simplest solution, which immediately hits one right in the eye when one examines the situation which has evolved, would appear to be increasing the prices for the agricultural products which are in short supply. But the simplest solution is not necessarily the proper one. First of all, an arbitrary price increase, for meat for instance, would lead to a reduction of the real income of the populace, and this would conflict with the general party line of increasing the welfare of the working people. Moreover, within the framework of the present economic mechanism there are no guarantees at all that the people's "meat" money, received due to increasing the prices for this product, would be used for modernization and expansion of the production facilities in this very sector of the national economy.

In my opinion the way out of the situation which has evolved must be sought primarily in the sphere of production. At the Kuusalu Kolkhoz in Estonia, I recently managed to acquaint myself with the planning documentation for a small kolkhoz meat-processing plant. Its capacity is not very large--about

5,000 tons in all. But the basis for the future enterprise is found in the latest labor-saving technology, which permits operating at the level of the world standard. This plus the fact that it is no longer necessary to ship the cattle for long distances permits the plant to not only avoid the traditional losses, but even to deliver a profit.

Another important special feature of the new enterprise is the fact that its construction envisages enlisting three neighboring farms on the basis of shares. I believe it is possible to go even farther. It would be logical to invite the trade enterprises and even the urban populace to invest in such projects. By the way, the form practiced in Hungary is worthy of our attention. In Hungary, the interested organization and the populace of a given locality can purchase special obligations with their own money. The funds accumulated by this method go for setting up a specific objective, be it a slaughterhouse or a telephone exchange... The debt will be returned to the creditors after a definite period, with a certain amount of interest for its use. Moreover, those who hold the promissory note have the right to receive in first priority the products of the enterprise which is indebted to them. This permits more rapidly overcoming "bottlenecks" in certain sectors of the economy, and provides more flexibility in blocking shortages which may arise.

The practice of our friends could, it would seem, be put to use among us as well in order to stimulate modernization and expansion of the processing industry. This would be especially beneficial under present conditions, inasmuch as the new procurement procedure spoken of at the 27th CPSU Congress envisages a system under which the resources of meat, milk, and other products would remain at the disposal of the local authorities after fulfilling the plans for their delivery to the centralized funds.

Presently, when the economic mechanism of the agroindustrial complex is undergoing a complete transformation, the price-fixing system for animal husbandry products should also be reexamined. Those 20 billion rubles which are presently distributed anomomously among those who are able to purchase the most meat, can and should be transferred to the workers' wages in the form of a supplement, differentiated for various social groups, as was done at the time when the price of bread was increased.

Then the state would be able to increase the prices for various types of animal husbandry products, and everyone would gain--both the producers and the consumers. I anticipate the question--why? After all, the bottom line would not change from transferring the funds. But that is arithmetic; in life, and in the economy, matters are more complex. The producers would gain because they would be able to live on their own means, by their own wits, on the self-financing principle; and they would be able to expand and modernize their business--and this, according to practical experience, can provide a tangible increase in production.

The consumer would gain as well. With his own "meat" money in his hands, and realizing at the same time the true cost of this valuable product, he would probably stop and think whether it is wise to feed the trimmings to the dog,

or whether he should not find something a little less expensive for that purpose. Production volume would increase, and consumption would become more rational; and that means that the distribution of meat products among the various regions of the country would become more equitable. The shortage of animal husbandry products would be significantly alleviated, and finally would disappear altogether. And this would mean a gain in time as well, in exchange for that senselessly wasted standing in lines--which in turn means preserving one's disposition, which is not improved by standing in queues.

In this connection the remarks of V.I. Kalashnikov, first secretary of the Volgograd party obkom, appear to be just. Kalashnikov called the attention of the delegates to the 27th Party Congress to the abnormalities in price formation for agricultural production. "The present policy," said he, "is such that not even kolkhozes and sovkhoses can't be on a self-supporting basis as they strive to cope with planned procurement, and the retail prices do not cover the expenses for the production of food products. Is it not for this reason that a certain sector of the populace has a lackadaisical attitude toward milk, or bread, about which Soviet society is justly and sharply posing questions?"

In his time V.I. Lenin used to stress that when it is a question of distribution of foodstuffs, one must take into consideration the fact that this distribution is a method, a tool, and a means for increasing production. Such an approach remains valid in our day as well.

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